



Coromandel Engineering Company Limited
Annual Report 2012 - 2013

CONTENTS

Corporate Information	1		Ten Years Financial Highlights	2		Directors - A Brief Profile	3
Notice to Shareholders	5		Directors' Report	8		Management Discussion & Analysis Report	11
Report on Corporate Governance	16		Financial Statements	37			

Cautionary Statement

This communication contains statements relating to future business developments and economic performance that could constitute 'forward looking statements'. While these forward looking statements represent the company's judgements and future expectations, a number of factors could cause actual developments and results to differ materially from expectations. The Company undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances. Further investors are requested to exercise their own judgement in assessing various risks associated with the Company and also the effectiveness of the measures being taken by the Company in tackling them as those enumerated in this report are only as perceived by the management.

CORPORATE INFORMATION

Board of Directors	
<p>Mr. M.M. Venkatachalam – Chairman and Managing Director</p> <p>Mr. M.A.M. Arunachalam</p> <p>Mr. S.S. Rajsekar</p> <p>Mr. J. Srinivasan</p> <p>Mr. V. Venkiteswaran</p> <p>Mr. Sridhar Ganesh</p> <p>Mr. N.V. Ravi</p>	
Bankers/ Financial Institution	Company Secretary
<p>Indian Bank</p> <p>Indusind Bank Ltd</p> <p>City Union Bank Ltd</p> <p>IDBI Bank Ltd</p> <p>HDFC Bank Ltd</p> <p>Development Credit Bank Ltd</p> <p>New India Co-Op Bank Ltd</p> <p>Tata Capital Financial Services Ltd</p>	Mr. R. Narayanan
	Auditors
	M/s. Sundaram & Srinivasan Chartered Accountants
Registered Office	Registrars and Share Transfer Agents
<p>"Parry House". 3rd Floor</p> <p>No.43, Moore Street</p> <p>Chennai – 600 001</p> <p>Tel : 25301700</p> <p>Fax : 25342822</p> <p>Email: investorservices@cec.murugappa.com</p> <p>Website : www.coromandelengg.com</p>	<p>Karvy Computershare Private Limited</p> <p>Plot Nos.17-24, Vithal Rao Nagar</p> <p>Madhapur, Hyderabad – 500 081</p> <p>Tel : 91-40-23420815 to 23420824</p> <p>Toll Free No.1-800-3454001</p> <p>Fax : +91-40 23420814</p> <p>Email : einward.ris@karvy.com</p> <p>Website: www.karvy.com</p>
65th Annual General Meeting	Date: : 25th of July, 2013
	<p>Day : Thursday</p> <p>Time : 02.30 PM</p> <p>Venue : Rectangular Hall, 'Dare House'</p> <p>No.2, N S C Bose Road, Parrys</p> <p>Chennai 600 001</p>

TEN YEARS FINANCIAL HIGHLIGHTS

(Rs. In lakhs)

YEAR ENDED 31st March										
OPERATING RESULTS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sales	1521.83	2054.75	2392.49	4502.40	6800.84	10024.63	8920.85	11275.24	17046.09	21,639.22
Other Income	13.62	27.28	93.16	19.02	22.87	37.85	40.00	185.34	78.79	90.30
Profit/(Loss) before depreciation	(2.23)	36.76	153.46	276.97	570.37	799.55	434.49	523.16	(3088.12)	(453.31)
Profit/(Loss) before Tax	(10.20)	29.38	139.12	251.82	527.49	714.22	330.27	405.12	(3249.32)	(668.37)
Profit/(Loss) after Tax	(43.91)	17.99	115.71	202.96	412.87	467.01	218.94	288.54	(2145.22)	(544.05)
Dividend - Equity	-	-	18.78	48.18	77.07	115.64	76.84	95.73	-	-
SOURCES OF FUNDS										
Paid up share capital	164.74	164.74	164.74	164.74	164.74	329.48	329.48	329.48	2829.48	2,829.48
Reserves	165.34	181.27	278.20	463.15	766.54	1250.75	1392.85	1585.66	(559.56)	(1,103.61)
Loan Funds	230.88	511.14	576.36	1945.45	2997.71	4005.87	5533.07	7264.90	6770.40	8,505.80
Deferred Tax Liability/(Asset) Net	(18.82)	(10.91)	(2.33)	(0.37)	12.56	47.28	78.80	114.61	(989.49)	(1,113.81)
Total	542.14	846.24	1016.97	2572.97	3941.55	5633.38	7334.20	9294.65	8050.83	9,117.86
APPLICATION OF FUNDS										
Fixed Assets	29.35	32.43	79.39	249.02	713.49	1354.24	1383.68	1822.54	2423.15	3,037.54
Investments	35.88	31.12	31.12	1.13	1.20	1.25	6.25	5.20	5.20	5.44
Net Current Assets	476.91	782.69	906.46	2322.82	3226.86	4277.89	5944.27	7466.91	5622.48	6,074.88
Total	542.14	846.24	1016.97	2572.97	3941.55	5633.38	7334.20	9294.65	8050.83	9,117.86

DIRECTORS – A BRIEF PROFILE

Mr. M.M. Venkatachalam
Chairman & Managing Director

Mr. M.M.Venkatachalam is a graduate in Agriculture and Master in Business Administration from George Washington University, USA. He was appointed as a Director in July 2009 and is presently the Chairman and Managing Director of the Company. He is also on the Board of various Companies including Coromandel International Limited, Ramco Systems Limited, Parry Agro Industries Limited, Ambadi Enterprises Limited, Polutech Limited, Parry Murray & Co. Limited U.K, etc.

Mr M.A.M. Arunachalam
Non-Executive Director

Mr. M.A.M. Arunachalam has done his Bachelors in Commerce and Masters in Business Administration from University of Chicago. He is an Industrialist and has an experience of 25 years in the field of varied industrial activities. He is the Managing Director of Parry Enterprises India Limited. He has been on the board of CECL, since September 1995.

Mr. S.S. Rajsekar
Non-Executive Director

Mr. S.S. Rajsekar is a Chemical Engineer (B.Tech) from Anna University. He has more than 33 years of experience in the field of real estate and property related advisory services. He has extensive senior-level contacts in the business community, through holding key positions in business organisations, Boards of Corporate Companies, Chambers of Commerce, advisory committees of Banks/ Financial Institutions. He was the past president of Andhra Chamber of Commerce and currently he is a Managing Committee member of Madras Management Association. He has been on the board of CECL, since October 2005.

Mr. J. Srinivasan
Non-Executive Director

Mr. J. Srinivasan holds a Bachelor’s Degree in Economics – Political Science – Commerce combination of the University of Delhi. He is also a Fellow member of the Institute of Company Secretaries of India. He has been in Industry for over 55 years in different capacities. Till October 2006, he was the CEO of both TTK-LIG Limited and SSL-TTK Limited. Presently, he is the Mentor Director of the TTK Group. He was responsible for taking over Dr. Scholl, domestic business in SSL-TTK and for shifting UK operations to India.

In recognition of his contribution, the JV partners have named Sriperumbudur plant after him. He is also associated with a few NGOs in Chennai, like VHS, TTK-VHS-Rotary Blood Bank, TTK Hospital of TT Ranganathan Foundation, Spastics Society of Tamil Nadu, etc. He has been on the board of CECL, since July 2008

Mr. V. Venkiteswaran
Non-Executive Director

Mr V. Venkiteswaran has business experience of over 42 years in diverse areas of operations. He is a Mechanical Engineer from the University of Madras and worked for over 37 years with Tata Tea Limited, initially overseeing the technical aspects of large tea plantations before attaining the position of GM. He held several key management positions in diverse operations like heading a subsidiary Company in the US, the Tata Tetley JV at Cochin and was responsible for a number of green field projects in India and abroad. All this culminated in his position as Executive Director of TTL between 2002 and 2006, after which he was a consultant for specific overseas projects till August 2007. He is also on the Board of M/s Shanthi Gears Limited. He has been on the board of CECL, since July 2008.

Mr. Sridhar Ganesh
Non-Executive Director

Mr. Sridhar Ganesh is a graduate in Physics and an alumnus of IIM Calcutta. He has extensive experience in the areas of developing people strategy, building organization culture, leadership development and coaching for performance and has worked across the HR function in organisations like Cadbury Schweppes, Berger Paints etc. He took up the current role as Director HR with the Murugappa Group in February 2007. He is a member of the Advisory Council of Loyola Institute of Business Administration (LIBA) and the CII National Committee on Skills & Human Resources. He is also the Chairman of the CII Southern Region Task Force on HR, Skills, Employability, Affirmative Action & ITI-IMC. He has been on the Board of CECL, since October 2009.

Mr. N.V. Ravi
Non-Executive Director

Mr. N.V. Ravi is an architect and has his own private practice since 1985. He has done his Masters in Architecture at the University of Michigan Ann Arbor. He has designed and executed several residential, industrial and commercial projects in Chennai, Delhi, Bangalore, Hyderabad etc. He also has vast experience in field of construction and has his own property development firm, which has been doing projects since 1996. He has been on the Board of CECL, since February 2012.

NOTICE TO THE SHAREHOLDERS

NOTICE is hereby given that the SIXTY FIFTH Annual General Meeting of the shareholders of COROMANDEL ENGINEERING COMPANY LIMITED will be held on Thursday , the 25th day of July 2013 at 2.30 PM, at Rectangular Hall, ‘Dare House’, 2 NSC Bose Road, Chennai - 600 001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors’ Report and the Audited Statement of Profit and Loss Account for the year ended 31st March, 2013 and the Balance Sheet as at the date and the Report of the Auditors thereon.
2. To appoint a Director in the Place of Mr. S.S. Rajsekar, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the Place of Mr. V. Venkiteswaran, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the Place of Mr. J. Srinivasan, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and in this connection, to consider and if deemed fit, to pass with or with out modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT Messrs. Sundaram & Srinivasan, Chartered Accountants, Chennai bearing Registration No. 004207S, be and are hereby re-appointed as the Statutory Auditors of the Company, from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, on a remuneration of Rs.2.60 Lakhs (Rupees Two Lakhs and sixty thousand only) plus the applicable taxes and reimbursement of travelling and out of pocket expenses incurred by them”.

On behalf of the Board

Place: Chennai
 Date : April 30, 2013

M.M. VENKATACHALAM
 Chairman and Managing Director

NOTES

1. A Member entitled to attend and vote at this Annual General Meeting (AGM) may appoint a proxy to attend and vote on a poll on his behalf. A proxy need not be a Member of the Company. Proxies, in order to be effective, must be received at the Registered Office of the Company, not less than FORTY-EIGHT HOURS before the commencement of the AGM. Proxy form is annexed herewith.

As per Section 187(1)(a) of the Companies Act, 1956, Corporate Members intending to send their authorised representatives to attend the meeting, are requested to send a certified copy of the Board Resolution, authorising their representative to attend and vote on their behalf at the Meeting.

2. The Register of Members and the Share Transfer Books of the Company shall remain closed from Thursday, 11th July, 2013 to Thursday, 25th July 2013 (both days inclusive).

Members are requested to bring their copies of the Annual Report and duly filled attendance slip to the Meeting.

The Dividend amounts, which remain unclaimed for the year 2005 - 06 and the subsequent years, can be claimed from the Company. Pursuant to Section 205C of the Companies Act, 1956 (the Act) (after the Companies (Amendment) Act, 1999), the amounts which remain unpaid or unclaimed for a period of seven years, shall be transferred to the Investor Education and Protection Fund established under Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001. It is hereby notified to the members that once the Dividend amount is transferred to the fund, the same cannot be claimed by the members from the fund established.

3. Members who have not encashed their dividend warrants for the years 2006-07, 2007-08, 2008-09, 2009-10 & 2010-11 are requested to lodge their claims with the Company.
4. Members are required to notify the change in their address, if any immediately, so that all communications can be sent to the latest address. In case of shareholders holding shares in physical form, all intimations regarding change of address and the change of bank account details etc are to be sent to M/s. Karvy Computershare Private Limited, Unit: Coromandel Engineering Company Limited, Plot No.17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081. Members who hold shares in electronic form are requested to notify any change in their particulars like change in address, bank particulars etc., to their respective Depository Participants immediately.

ANNEXURE TO THE NOTICE

As per Clause 49 of the Listing Agreement with Stock Exchanges, the brief resume and functional expertise of the directors proposed for reappointment along with the details of Companies in which they are directors and the Board Committees of which they are members are furnished below.

Item No.2

Mr. S. S. Rajsekar

Mr. S.S. Rajsekar is a Chemical Engineer (B. Tech) from Anna University. He has more than 33 years of experience in the field of real estate and property related advisory services. He has been on the board of CECL, since October 2005.

Mr. S. S. Rajsekar does not hold any Equity Shares in the Company.

The details of other Directorship / Committee membership held by him are as follows:

Directorship	Committee Membership	Chairman / Member
Chennai Consultancy Services Private Limited	-	-
Chidbhava Constructions and Properties Private Limited	-	-

Item No.3

Mr. V. Venkiteswaran

Mr. V. Venkiteswaran is a Mechanical Engineer and

has business experience of over 42 years in diverse areas of operation. He has been on the Board of CECL, since July 2008.

Mr. V. Venkiteswaran does not hold any Equity Shares in the Company.

The details of other Directorship / Committee membership held by him are as follows:

Directorship	Committee Membership	Chairman / Member
Shanthi Gears Limited	-	-

Item No.4

Mr. J. Srinivasan

Mr. J. Srinivasan holds a Bachelor's Degree in Economics – Political Science - Commerce. He is also a fellow member of Institute of Company Secretaries of India. He has been in Industry for over 55 years in different capacities. He has been on the Board of CECL, since July 2008.

Mr. J. Srinivasan does not hold any Equity Shares in the Company.

The details of other Directorship / Committee membership held by him are as follows:

Directorship	Committee Membership	Chairman / Member
TTK Protective Devices Limited	-	-
TTK Healthcare Limited	-	-

On behalf of the Board

Place: Chennai
Date: April 30, 2013

M.M. VENKATACHALAM
Chairman & Managing Director

DIRECTORS' REPORT

Your Directors herewith present the 65th Annual Report and the audited accounts for the financial year ended March 31, 2013.

FINANCIAL RESULTS:

(Rs in lakhs)

Description	2012-13	2011-12
Profit/(Loss) Before Interest & Depreciation	674.28	(1938.89)
Less: Depreciation	215.06	161.20
Interest	1127.59	1149.23
Profit/ (Loss) Before Tax	(668.37)	(3249.32)
Less: Provision for Taxation	(124.32)	(1104.10)
Profit/(Loss) After Tax	(544.05)	(2145.22)
Less: Transfer to General Reserve	-	-
Proposed Dividend	-	-
Tax on Dividend	-	-
Add: Earlier year's profit brought forward	(1332.11)	813.11
Profit carried to Balance Sheet	(1876.16)	(1332.11)

OPERATIONS AND PERFORMANCE

During the year under review, Your Company achieved a Turnover of Rs. 21639.22 Lakhs and incurred a Loss of Rs. 668.37 Lakhs before tax, as against the Turnover of Rs.17046.09 Lakhs and Loss of Rs. 3249.32 Lakhs before tax in the previous year. It is heartening to note that Your Company has been able to achieve PBIT of Rs. 459.22 Lakhs as against PBIT negative of Rs. 2100.09 Lakhs in the previous year. The operations were affected during part of the year with shortage and cost escalation of sand in States like Tamil Nadu and Andhra. There were also delays in execution due to non-availability of work front and clearances from customers in certain project sites, leading to idle fixed costs. However the various efficiency improvement measures and improved control mechanism helped in mitigating the effect of cost escalation/delay in execution and helped in Your Company making a marginal PBIT during the year. The interest cost for the year was maintained at previous year's level, by keeping a tight control on borrowings.

Your Company participated in several tenders during the year in industrial, commercial and residential segments across select geographies. There was a slowdown in terms of customers taking final decision on their project and placing the orders. Your company quoted for tenders worth Rs. 313700 Lakhs during the year and was able to win work orders to the tune of Rs. 19000 Lakhs. We were able to win a project order for Rs. 5300 Lakhs and good number of orders above Rs. 2000 Lakhs.

On the Property Development business, Your Company launched 2 new projects in Chennai. One of the projects in Chennai is nearing completion. The major project at Coimbatore in 2 phases has progressed well in terms of construction activity and we have done lot of promotional activity to create "Coral" brand awareness and improve the sales. The turnover for this business was at Rs. 3341 Lakhs for the year as against Rs. 1862 Lakhs in the previous year.

During the year, Your Company has acquired Operational Plant and Machinery and other Fixed Assets to the tune of Rs. 837 Lakhs.

LISTING OF SECURITIES IN STOCK EXCHANGES

The Company's shares are listed in Madras Stock Exchange Limited(MSE) and Bombay Stock Exchange Limited(BSE). In terms of the agreement entered into by MSE with National Stock Exchange (NSE), the equity shares of your Company are allowed to dealings on the NSE (Capital Market Segment).

DIVIDEND

Due to losses incurred by the Company, the Directors have not recommended any dividend for the Financial Year 2012-13. Consequently, the company has not transferred any amount to General reserve.

DEPOSITS

The Company has not accepted any deposits during the financial year.

ACCREDITATION/RECOGNITION

Your Company has been certified as ISO 9001:2008 for Quality Management System and BS OHSAS 18001:2007 for safety Management System, in design and establishment of property development, construction of residential, commercial and industrial projects, supporting services like electrical, mechanical and plumbing works.

DIRECTORS

In accordance with Section 256 of the Companies Act 1956, read with Articles 92 of the Articles of Association of the Company, Mr. S. S. Rajsekar, Mr. V. Venkiteswaran and Mr.J. Srinivasan, Directors, retire by rotation at the forthcoming Annual General Meeting and being eligible, offers themselves for re-appointment.

A brief profile, expertise and details of other directorship of these directors are attached along with the Notice convening the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

1. In the preparation of the Profit & Loss Account for the financial year ended 31st March, 2013 and the Balance Sheet as at that date ("Financial Statements"), applicable Accounting Standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and such judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the financial results of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations. In weighing the assurance provided by any such systems of internal controls, its inherent limitations should be recognised. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal control system.
4. The Financial Statements have been prepared on a going concern basis.

AUDITORS

M/s.Sundaram & Srinivasan, Chartered Accountants, Chennai, Statutory Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

The Board on the recommendation of the Audit Committee proposes that M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai bearing Firm Registration No. 004207S be re-appointed as the Statutory Auditors of the Company to hold office till the conclusion of the next Annual General Meeting of the Company. M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai have forwarded a certificate to the Company, stating that their re-appointment, if made, will be within the limit specified on that behalf in sub-section (1B) of Section 224 of the Companies Act, 1956.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis report, highlighting the business wise details, is attached and forms part of this report.

CORPORATE GOVERNANCE REPORT

A report on corporate governance, giving the status of implementation of mandatory and non-mandatory norms, as per clause 49 of the listing agreement and the corporate governance Voluntary Guidelines, 2009, issued by Ministry of Corporate Affairs, is attached and forms part of the directors' report.

The Certificate regarding compliance of conditions of Corporate Governance is made part of the Annual Report.

Place: Chennai
Date: April 30, 2013

PARTICULARS OF EMPLOYEES

There were no employees covered under sub-section 2A of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended vide Notification No. GSR 289 (E) dated 31st March 2011.

PARTICULARS REQUIRED TO BE FURNISHED U/S 217(1)(e)

The Company has no activity relating to consumption of energy and technology absorption. Except for foreign exchange earnings, there are no other particulars required to be furnished under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

The Company earned Rs. 33.42 Lakhs in foreign currency during the year towards customer payment for residential property sold.

GENERAL

Your Directors place on record their appreciation for the continued co-operation, support and assistance extended to the Company by its Bankers, Shareholders, Government of India and Government of Tamil Nadu.

On behalf of the Board

M.M. VENKATACHALAM
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY UPDATES

The investment climate in infrastructure was subdued mainly due to the delay in approvals and constraints in execution. Many power projects, iron and steel projects were stalled during the year on account of fuel linkages, ban on mining etc. Among the projects that saw the light, main contributions were from auto ancillary units till the second quarter, though the third and the fourth quarter did not augur positively for the auto units.

There were a number of developers who commenced projects in major metros and the extended city regions. However, the booking has remained subdued, due to lower demand from investors and developers not coming down on pricing. The regulation of lending by banks to construction companies made things worse for the industry.

The year 13-14 is expected to have a lot of stalled power projects in Orissa restarting and expansion of the existing facilities of Cement Majors. CECL expects its major business this year from cement/auto OEM/ancillary and power generation sectors. Prequalification with architects have been increasing and this can be the basis for making inroads into newer clients. On the property development front, the Company is confident of selling a majority of units at the Coimbatore project and the existing Chennai project.

REVIEW OF BUSINESS OF COROMANDEL ENGINEERING COMPANY LTD

In terms of the order booking, it was a reasonable year for civil construction business with orders worth approximately Rs. 19000 Lakhs being booked. The brand visibility of our Company across auto and cement sectors grew and We bagged 3 projects in the cement sector and 2 projects in automobile sector. We also made breakthrough into commercial mall segment. We bagged an order for nearly Rs.5300 Lakhs for construction of a sulphuric acid plant in Orissa. In spite of a tough competitive climate in 2012 -13, We won some

large value orders indicating the trust the customers place on us by the virtue of our performance in the recent projects. During the year, We successfully completed 2 projects for auto/ancillary segment, giving us the prospects of entry into more number of clients in the sector.

There have been delays in customer clearances and availability of work front in certain sites. The other constraint faced was in the availability of skilled labour at many of sites. This combined to slow down the pace of execution than what was envisaged. Some new initiatives on retaining labour and investing on new machineries have started yielding results in select projects. The company has also taken the help of a management consultant to improve the efficiency of execution.

We had a very good enquiry book during the year 2012-13. With many of larger players bidding for smaller projects due to pressure on order books and accepting orders at near breakeven levels, our strike rate was partially affected. We plan to diversify into different geographies to mitigate the risk of seasonal variations and increase the top line.

On the residential front, the Company has successfully completed sales of all the flats in 2 projects in Chennai and launched a premier project in Chennai. Due to prevailing buyer sentiments, there was a slowdown in selling its flats at Coimbatore. Your Company has embarked on brand promotion and customer contact activities to speed up the sales in Coimbatore.

RISK MANAGEMENT

Given below are some of the major risks that impact the Company in the construction business and the broad mitigation measures.

BIDDING RISK

To meet competitive pressure and win orders, Quoting is done at lower prices leading to risk of financial losses when project is executed.

Mitigation Measures

1. Structured process and formats to cover all possible costs before quoting for tenders. Migrating to software with built-in controls.
2. Fixing base minimum margins to be included in the final quote. Approval mechanism for extending discounts based on commercial logic.
3. Including transparent pass-through mechanism to handle input cost escalations and statutory duties and taxes while bidding.

RISK IN PROCESS ACTIVITY

The processes of Quoting, getting orders, planning, mobilisation and execution as per plan must be linked end to end. Any gap in linkage can lead to poor execution, time delays and cost escalation.

Mitigation Measures

1. Ensuring design correctness at pre-tender and planning stage.
2. Planning in detail for the work orders to be executed.
3. Involving execution, engineering and taxation team while tendering to establish linkage; Site investigation to be done by relevant cluster head or the chosen project manager.

QUALITY RISK

The risk of Quality of construction not as per agreed parameters, leading to customer dissatisfaction, short passing of invoices and loss of future business with client.

Mitigation Measures

1. Sourcing of quality raw materials.
2. Stringent in-house checks to ensure compliance with applicable quality standards.
3. Ensuring certification of work measurement/ quality with client representative/consultant then and there.

RISK OF TIMELY COMPLETION

Not completing the work as per timelines agreed with client, leading to potential Liquidated Damages, loss of reputation and also fixed cost escalation.

Mitigation Measures

1. In-depth pre mobilisation study of the project area to place resources at site as per execution plan.
2. On time mobilisation at site with a suitable site team right from the beginning.
3. Increase labour productivity through detailed planning, effective monitoring and guidance.
4. Obtain necessary extension of time for completion for all delays caused due to client issues. Maintain site diary and a “delay” file at site.

RISK OF NON-AVAILABILITY OF SUB-CONTRACTORS

Impacts timely execution and also quality of work

Mitigation Measures

1. Enlarge the database of qualified sub-contractors.
2. Identify and partner with limited number of sub-contractors who can make available larger pool of labour.
3. Providing better facilities at site for retention of subcontract labour.

COST ESCALATION RISK

This includes increase in cost of inputs due to project tenure being spread over longer periods.

Mitigation Measures

1. Estimated cost escalation based on tenure, geography and seasonality to be included while quoting for contract.
2. Put in transparent escalation reimbursement clause in the contract.
3. Aggregate the purchases across projects, to leverage the volumes for better costs.

CLIENT CONCENTRATION RISK

Excessive dependence on a few clients could impact profitability in the event of slowdown or customer attrition.

Mitigation Measures

1. Diversify into different Geographical locations and into different industry segments.
2. Work on expanding client list and also get technically approved by project consultants/ architects

COMPLIANCE RISK

Contractual and Legal - Non compliance of specific contractual obligation and general obligations in practice and also statutory non compliance result in penalty affecting cash flow and profitability.

Mitigation Measures

1. Review of all contracts by the in-house legal team including dropping of adverse clauses before acceptance.
2. Ensure systemic capture and adherence to specific clauses of contract being executed.
3. Update with the legal and statutory laws through professional contacts, chamber of commerce etc.
4. Continuous education and training to relevant employees on importance of statutory/contractual compliances and systematic audits.

RISK OF NATURE AND CALAMITIES

Affects execution of the project, leading to time delays and cost escalation.

Mitigation Measures

1. Suitable safety measures in place to handle possible risk events and periodic audits on adherence.
2. Adequate insurance cover to mitigate any financial loss arising out of such risk.
3. Ensure insurance cover protects against damages due to natural calamities in seismic fault areas and geographies prone to cyclones etc.

LIQUIDITY RISK

This covers the risk of longer working capital cycle, leading to cash generation being lower than requirement. This results in slowdown in operations on account of non-availability of funds (or) increase in borrowings, leading to higher interest cost and lower profitability.

Mitigation Measures

1. Ensure “then and there” measurement certification from client representative and prompt submission of invoice at regular intervals.
2. To monitor collections from clients based on certified invoices as per contractual terms and put in escalation mechanism to curb delays in collections
3. Effective inventory management linked to planned activities and monitoring and enhancing credit period based on reliability of payment.

HUMAN RESOURCES RISK

Construction business is people intensive and lack of right people will affect execution in timely manner. This also covers the risk of not being able to attract the right talent and retain the same.

Mitigation Measures

1. Retention and attraction of the talent by offering challenging work environment and market related compensation.
2. Periodical training involving domain and soft skills up gradation.
3. To enable employees to have career growth through performance.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONS

Income from Operations:

During the year, the Company achieved a growth of 27% in the Revenue from Operations, supported by 20% growth in Civil Construction business and 79% growth in Property Development business. Projects with larger outlay obtained across Automobile/Power Generation/Residential development helped in better volumes. There was improved focus on execution leading to robust growth in the Revenue.

Expenditure

The total expenditure with respect to the yearly revenue is as under:

Rs in Lakhs

	FY 2012-13	In %	FY 2011-12	In %
Revenue from Operations	21639	100.0	17046	100.0
Materials consumed and Sub contract expenses	17755	82.0	15309	90.0
Salaries & Other Benefits	1895	8.8	1879	11.0
Other Expense	1405	6.5	1876	11.0
Interest on Borrowings	1128	5.2	1149	6.7
Depreciation	215	1.0	161	0.9
	22398	103.5	20374	119.6

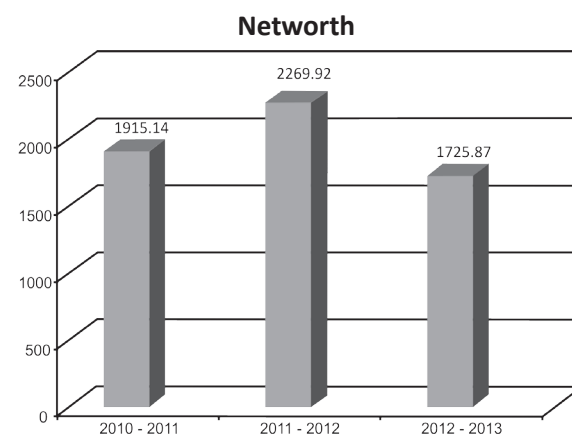
Due to larger volume of operations and improved emphasis on process control and efficiency parameters, your Company was able to reduce the quantum of expenditure in relation to revenue across different categories. While your Company was able to return to profitability at Profit Before Interest and Tax(PBIT) level, the finance cost could not be fully covered and hence resulted in negative Profit Before Tax.

Net Profit

Rs in Lakhs

	2012-13	2011-12
Total Revenue	21730	17125
Profit/(Loss) Before Interest and Tax (PBIT)	459	(2100)
Profit/ (Loss) Before Tax (PBT)	(668)	(3249)
PBT as % of Revenue	(3.07)	(18.97)

Net Worth



The net worth of the Company as at March 31, 2013 is at Rs.1725.87 Lakhs as compared to Rs 2269.92 Lakhs as at March 31, 2012.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Internal Control System is an essential element of the Corporate Governance and plays a key role in identifying, minimizing and managing risks that are significant for the Company, contributing to the safeguarding of stockholders' investments and the Company's assets.

Your company has established and is maintaining adequate controls within the system to ensure the completeness and accuracy of financial and other information, which are used by management for supervision and control. To strengthen Internal Control system and reporting process, Your Company is in the process of migrating to latest version of operating ERP system. The adequacy and effectiveness of internal controls are monitored regularly by the Internal Auditors and remedial measures are adopted, wherever necessary. Also as part of the internal control systems, it is being ensured that all applicable laws are complied without any lapse. Periodic updates are being sought from the relevant sources to keep abreast with the latest changes in any applicable law and their compliance thereof.

The Audit Committee of the Company meets periodically to review and recommend quarterly, half yearly and annual financial statements of the Company. The Audit Committee reviews the important findings of the Internal Auditors during their audits. The Committee also holds discussions with the internal auditors, statutory auditors and the management on the matters relating to internal controls, auditing and financial reporting. The Committee also reviews with the Statutory Auditors, the scope and results of the audit.

HUMAN RESOURCES

The company believes that the human capital is the key engine for its growth and competitiveness. However, with the increasing demand for skilled labour due to vast increase in infrastructure development and the preference for unskilled labour towards assured employment schemes of the Government, every sector of the industry is finding it difficult to recruit and retain talent.

Due to demand-supply gap, the cost of the labour force is on continuously increasing trend. Your company is also facing difficulties in getting right talent to manage the project sites. To overcome the constraint, your Company has decided to focus on projects of larger volume, which can be able to accommodate higher quality employees, who also come in with higher costs. Besides bridging the gap in compensation vis a vis market, Your Company has also taken steps on focused Learning and Development and regular communications. Continuous interaction with all employees by various orientation programs, Cross functional meets and by the frequent visits of Sr. Executives to the project sites are some of the continuing efforts to motivate the work force.

On behalf of the Board

Place: Chennai
Date : April 30, 2013

M.M. VENKATACHALAM
Chairman & Managing Director